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**The State of Competition of the  
Small Employer Carrier Health Insurance Market  
in the State of Michigan**

**A Market Competition Study issued by Commissioner R. Kevin Clinton**

**June 2012**

## **Executive Summary**

On July 21, 2003, Public Act 88 was enacted, adding Chapter 37 to the Michigan Insurance Code of 1956, Michigan Compiled Laws (MCL) 500.3701 et seq. The law went into effect on January 23, 2004.

Section 3721 requires the Commissioner to issue an annual report and certify whether a reasonable degree of competition exists in the small employer health benefit plan market on a statewide basis. This is the sixth annual report issued by the Commissioner measuring the degree of competition in the small employer health benefit plan market. Previous reports found that a reasonable degree of competition existed on a statewide basis.

**For the calendar year ending December 31, 2011, the Commissioner concludes that there is a reasonable degree of competition in the small employer health benefit plan market on a statewide basis in Michigan. This report shows that there is carrier dominance in the small employer health benefit plan market, but also shows that the market is dynamic with new carriers entering and exiting and that market share fluidity exists. The Commissioner finds that there is an availability of carriers and carrier types, benefit and price options, and that the availability extends to all geographic regions for all small employer types within the state.**

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## Introduction

Chapter 37 of the Michigan Insurance Code of 1956 provides the regulatory framework for small employer health benefit plans. Among other things, it mirrors certain protections for guaranteed issuance of health care coverage in the small employer health benefit plan market as well as rating limitations for small employer health benefit plans. Small employers are defined under MCL 500.3701(p) as:

*“.....any person, firm, corporation, partnership, limited liability company, or association actively engaged in business who, on at least 50% of its working days during the preceding and current calendar years, employed at least 2 but not more than 50 eligible employees. In determining the number of eligible employees, companies that are affiliated companies or that are eligible to file a combined tax return for state taxation purposes shall be considered 1 employer.”*

Pursuant to MCL 500.3721(1), the Commissioner of OFIR is required by May 15, 2007, and each May 15 thereafter, to issue an annual report and to make a determination whether a reasonable degree of competition in the small employer health benefit plan market exists on a statewide basis in Michigan. Section 3721(1) requires that the report be based on relevant economic tests, including those stated in section 3721(3) and that the report's findings not be based on any single measure of competition, but appropriate weight be given to all measures of competition.

## Data Collection

- Financial data was collected and reviewed from the annual financial statements that carriers are required to file with OFIR. In addition to filing financial statements, Michigan requires all insurers with any type of accident and health authority under the Michigan Insurance Code to submit the Michigan Health Insurance Enrollment, Premiums and Losses form FIS 0322.
- On the FIS 0322, carriers report Michigan premiums earned, incurred claims, change in contract reserves, loss ratios, number of policies or certificates that were in force at the end of the reporting year, number of lives covered during the reporting year, and number of member months for a line of business. Data from the FIS 0322, as well as company financial statements are being used to evaluate the state of competition in the small employer health carrier benefit market. All the information used to measure market share was taken from the FIS 0322s.
- The FIS 0322 was revised for the 2011 reporting year. In addition to extending the due date for submission of the form from March 1 to April 1, the form was designed to closely align with the NAIC Accident and Health Policy Experience Exhibit, developed

in response to the Patient Protection and Affordable Care Act (PPACA) reporting requirements. Specific category changes are discussed under the data analysis portion of the report. The data obtained from the FIS 0322 includes small employer group with health savings accounts, small employer group without health savings accounts, and all small employer group association and trust group business. The FIS 0322 data is included at the end of this report as Appendix A.

- Insurers, health maintenance organizations, and nonprofit healthcare corporations were sent a small employer carrier survey under MCL 500.438(3) to elicit responses about the small employer health benefit market in Michigan as well as the impacts that the ACA would have on that market from the carriers' perspective. The responses will be discussed, where applicable, in the appropriate factor that is being considered by the commissioner.
- The Kaiser Family Foundation and Health Research & Educational Trust's Employer Health Benefits 2011 Annual Survey (Annual Survey) was used as a resource to compare Michigan data with national data. This publication will be cited within the report for comparative analysis.

### **Standards of Competition Applied in this Study**

Michigan Compiled Laws 500.3721(3) states all of the following shall be considered by the Commissioner for the purpose of determining whether a reasonable degree of competition exists in the small employer carrier health benefit plan market on a statewide basis:

#### **Factors**

- (a) The extent to which any carrier controls all or a portion of the small employer carrier health benefit plan insurance market;
- (b) Whether the total number of carriers writing small employer health benefit plan coverage in Michigan is sufficient to provide multiple options to small employers;
- (c) The disparities among small employer health benefit plan rates and classifications to the extent that such classifications result in rate differentials;
- (d) The availability of small employer health benefit plan coverage to small employers in all geographic areas and all types of business;
- (e) The overall rate level must not be excessive, inadequate, or unfairly discriminatory; and
- (f) Any other factors the Commissioner considers relevant.

## Data Analysis

**Factor (a): The extent to which any carrier controls all or a portion of the small employer carrier health benefits plan market;**

In order to measure the degree to which any carrier controls a portion of the small employer health benefit plan market, an analysis was performed using the following indicators:

- Member months;
- Michigan direct premiums earned;
- The number of policies or certificates in force as of December 31, 2011;
- The number of lives covered as of December 31, 2011; and
- The amount of incurred claims during 2011.

**Figure 1: Market Share per Measurement Used**

<b>TOP TEN 2011 SMALL EMPLOYER HEALTH BENEFIT CARRIERS</b>	<b>Member Months</b>	<b>Premium Earned</b>	<b>Policies in Force</b>	<b>Number of Lives Insured</b>	<b>Incurred Claims</b>
Blue Cross and Blue Shield of Michigan	37.6%	45.8%	42.2%	38.1%	43.9%
Priority Health (No HSA)	13.8%	12.3%	12.1%	12.0%	13.6%
Blue Care Network of Michigan	12.5%	11.7%	16.6%	13.6%	11.8%
Priority Health (HSA)	7.3%	4.8%	7.7%	7.6%	5.5%
United Healthcare Insurance Co.	5.4%	3.1%	-	5.4%	2.6%
Priority Health Ins. Co. (No HSA)	3.5%	3.7%	3.1%	3.1%	4.3%
Priority Health Ins. Co. (HSA)	2.4%	2.0%	2.3%	2.3%	2.2%
Health Alliance Plan of Mid-Mich.	2.0%	2.2%	2.6%	2.5%	2.3%
Humana Insurance Company	2.3%	1.8%	-	2.0%	1.6%
Alliance Health and Life Ins. Co.	1.7%	1.6%	2.6%	1.5%	1.5%
McLaren Health Plan	-	-	1.6%	-	-
Liberty Union Life Assurance Co.	-	-	1.1%	-	-
<b>TOTALS FOR TOP TEN BY CATEGORY</b>	<b>88.5%</b>	<b>89.0%</b>	<b>91.9%</b>	<b>88.1%</b>	<b>89.3%</b>

The data consistently demonstrates that there is a high concentration of carriers that represent the dominant market share holders in the small employer health benefit plan market. With the exception of one category, "Policies in Force," the same ten carriers held top positions in all market share categories. In the "Policies in Force" category two of the top ten carriers, United Healthcare Insurance Company and Humana Insurance Company, are not included within the uppermost market share; two carriers, McLaren Health Plan and Liberty Union Life Assurance Company, hold top positions for only "Policies in Force" but for no other category.

### **Michigan Premiums Earned**

The revised FIS 0322 requires carriers to report “premiums earned” rather than “premiums written” as had been the case in previous years. Premiums earned give a more accurate accounting of the policy revenue that has been received by carriers instead of what is expected to be received, as is represented by premiums written. The aggregate premiums earned by carriers offering employer health benefit plans in Michigan in 2011 totaled \$2,651,910,679.

### **Policies in Force**

In 2011, the total number of small employer group health policies in force was 285,091, an increase of 28,485 from the 256,606 in-force policies that were reported for the 2010 reporting year. Four carriers, Blue Cross Blue Shield of Michigan (BCBSM), Priority Health (No HSA and HSA), Blue Care Network, and Priority Health Insurance Company (No HSA) comprise nearly 82 percent of the small employer health market. Five carriers, Priority Health Insurance Company (HSA), Health Alliance Plan, Alliance Health and Life Ins. Co., McLaren Health Plan, and Liberty Union Life, in addition to the previously listed carriers comprise 92 percent of the Michigan small employer health plan carrier market.

### **Number of Lives Insured**

In 2011, carriers reported a total of 677,855 lives insured as of December 31, 2011. In the 2010 reporting year, 693,027 lives were reported, a decrease of 15,172. Four carriers, BCBSM, Priority Health (No HSA and HSA), Blue Care Network, and United Healthcare Insurance Company held the top market share positions, representing almost 77 percent of insured lives in the market.

### **Michigan Incurred Claims**

The revised FIS 0322 requires carriers to report “incurred claims” rather than “paid claims,” as had been the case in previous years. Incurred claims includes data for all paid claims and the administrative costs of paying those claims, plus those claims that are payable, even if they have not yet been paid, providing a reasonable estimate of carriers’ claim activity. The total amount of incurred claims for the 2011 reporting year was \$2,146,540,903 compared to \$2,018,599,339 that was reported for the 2010 reporting year in the small employer health benefit plan market. While the 2011 data shows an increase of \$127,941,564 in claims activity, the increase may be accounted for with the use of the category of “incurred claims” rather than “paid claims.”

## **Member Months**

A member month is defined as 1 member being enrolled in a health plan for 1 month. For example, an individual who is a member of a health benefit plan for a full year generates 12 member months and a family of 5 enrolled for 6 months generates (5 X 6) 30 member months.

In 2011, the total member months for all carriers equaled 8,111,062. When compared to 2010 data, which totaled 8,135,106, there were 24,044 fewer member months of business in 2011. The rate of decline has slowed; the 2010 small employer competition report showed a decrease of 172,126 member months from 2009 to 2010. The market share results indicate movement within the market share for member months. This is the first year that both HSA and non-HSA products, offered by the same carrier, have been in the top market share category.

One test of competition is measured by the ability of entities to enter, exit, or change relative position within a market. Figure 2 demonstrates that the ability of entities to enter the market exists in Michigan as well as the ability to change its market share position, or leave the market. While BCBSM has consistently held the largest share of the small employer health benefit plan market, other insurers are also able to compete within the market. The data reveals that relative to carrier market share expressed as member months, there is fluctuation in the market and there is an opportunity for new entities to compete.

This report presents a historical perspective and analysis of market share based on member months.

The data reveals the following:

- Blue Cross Blue Shield of Michigan, Blue Care Network, Priority Health, Priority Health Insurance Company, and United Healthcare Insurance Company are the top five market share holders for 2011.
- The 2011 data indicates a slightly more concentrated market from 2010 with five companies holding 80 percent of the market share. However, in 2003, 2004 and 2011, 80 percent of member months were controlled by only five writers of small employer health benefit plans. In 2006, 2009, and 2010, seven entities controlled 80 percent of the market compared to six entities in 2005, 2007 and 2008.
- Four of the five entities to hold 80 percent of the member month market share in 2011 were the same entities that held that position in 2010.
- In 2010, Alliance Health and Life Insurance, Humana Ins. Co., and Physicians Health Plan of Mid-Michigan were ranked in the top 80 percent market share for member months. In 2011, these entities were no longer in the top 80 percent market share for this category.



- Three carriers have consistently held a place in the top 80 percent of market share for all of the tracking years; BCBSM, Blue Care Network, and Priority Health.
- Blue Cross Blue Shield of Michigan consistently ranked number one among carriers comprising 80 percent of the market share between 2003 and 2011 followed by Priority Health and Blue Care Network.
- All carriers comprising the 80 percent market share increased their respective share in 2011 with the exception of Blue Cross Blue Shield of MI which remained the same. (see the 2011 column Figure 2).

**Figure 2: Carriers Comprising 80% Market Share by Member Months Per Year**

<b>Market Share Based on Member Months</b>									
<b>CARRIER</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Aetna					2.7%	3.6%			
Alliance Health and Life Insurance								3.7%	
American Medical Security Life Ins.	2.9%	3.1%	3.9%	2.9%					
Blue Care Network	7.2%	6.3%	7.8%	8.0%	12.8%	11.2%	10.8%	8.7%	12.5%
Blue Cross BlueShield of Michigan	59.1%	59.1%	52.2%	42.8%	46.4%	49.4%	41.8%	37.6%	37.6%
Care Choices				9.9%					
Health Alliance Plan	3.5%	3.1%							
Humana Ins. Co.			3.5%	2.8%	3.1%		3.5%	3.3%	
Physicians Health Plan of Mid-MI								4.5%	
Principal Life Ins. Co.			2.6%	3.3%	3.3%	3.2%	2.6%		
Priority Health	8.2%	9.3%	11.9%	11.5%	11.8%	9.6%	11.6%	18.7%	21.1%*
Priority Health Insurance Co.							3.1%	5.4%	5.9%**
Midwest Security Life Ins. Co.						3.0%			
U.S. Health and Life Ins. Co.							8.0%		
United Healthcare Ins. Co.									5.4%
<b>TOTALS</b>	<b>80.9%</b>	<b>80.9%</b>	<b>81.9%</b>	<b>81.2%</b>	<b>80.1%</b>	<b>80.0%</b>	<b>81.4%</b>	<b>81.9%</b>	<b>82.5%</b>

\*Priority Health: 21.1% is comprised of 13.8% (no HSA) 7.3% (HSA)

\*\*Priority Health Insurance Company: 5.9% is comprised of 3.5% (no HSA) and 2.4% (HSA)

**Factor (b): Whether the total number of carriers writing small employer health benefit plan coverage in this state is sufficient to provide multiple options to small employers;**

The FIS 0322 forms indicate 52 carriers had at least one small employer health benefit plan in force in 2011, an increase of six carriers from the number reported in 2010. In 2003, 43 carriers were writing in the small employer health benefit plan market. By 2006, that number had dropped slightly to 41. The 2007 data indicate that the market expanded to 54 carriers writing in the small employer health benefit plan market. Although there is fluctuation in the number of carriers in the small employer health benefit plan market, there appears to be adequate

penetration of carriers to give small employers a choice of carrier, as well as type of carrier. Coverage may be obtained from entities that are actively\* writing coverage in the small employer group health market including one nonprofit health care corporation, nine Health Maintenance Organizations (HMO), and 36 commercial carriers.

Page 60 of the Annual Survey indicates that plan enrollment varies by region and by plan size. Nationally, 55 percent of employees are enrolled in preferred provider organization (PPO) plans, 17 percent are enrolled in HMOs, 17 percent in high deductible health plans (HDHP), 10 percent in point of service plans, and 1 percent are enrolled in conventional plans. The Annual Survey also indicates that high deductible health plan enrollment is 25 percent higher among workers in the Midwest region and 23 percent higher among workers in small firms (3-199 employees). In Michigan, 64 percent of the small employer benefit plans are PPO plans, 34 percent of the plans are HDHPs, and 18 percent of the policies in force are offered by HMOs. The penetration of PPOs, HDHPs, and HMOs in the small employer health benefit market is higher in Michigan than that found in the national results.

*\*Defined as having at least five small employer health benefit plans in force.*

**Factor (c): The disparity among small employer health benefits plan rates and classification to the extent that such classifications result in rate differentials;**

Prior to the implementation of Chapter 37, BCBSM varied the rates it charged to small employers based on the employer's industry classification, geographic area, and the participation rate of employees within an employer group choosing BCBSM. Health Maintenance Organizations could rate small employers based on the age, gender, industry, and geographic location of the group. Adjusting rates based on participation rates was not prohibited, but not used by HMOs. Commercial carriers were allowed to rate based on any of the above-named criteria, plus they were allowed to rate based on the health status of persons within the small employer group.

Michigan Compiled Laws 500.3705(2)(a) limits the rating classifications that may be used depending on the type of carrier. A nonprofit health care corporation is limited to industry and age only. For a HMO, only industry, age, and group size may be used. For commercial carriers, industry, age, group size, and health status may be used for determining premiums.

The FIS 0322 premium data reveals that in spite of the rating limitations for a nonprofit health care corporation, it still maintains the largest market share for all values measured: member months, policies in force, lives covered, premiums earned, and losses incurred. The ability of HMOs to rate only on industry and age has not created an environment where HMOs cannot compete in the small group health benefit plan market, as evidenced by Priority Health's market share in the small employer health benefit market. Although commercial carriers are the only

carriers permitted to use health status as a rating factor, the commercial carrier premium data indicates that the ability to rate based on health status does not significantly increase premiums in the small group market. The data supports the position that small employer health benefit plan market premiums are primarily based on geographic location and plan design rather than rating factors.

**Factor (d): The availability of small employer health benefit plan coverage to small employers in all geographic areas and all types of business;**

There is adequate availability of small employer health benefit plan coverage to small employers in all geographic areas. Blue Cross Blue Shield of Michigan must consider the entire state of Michigan as its geographic area for marketing. There are nine HMOs offering small employer group health benefit plans throughout the state. Although commercial carriers are not limited to service areas, coverage by an authorized commercial carrier may be sold anywhere in the state where there is a demand for this type of coverage. However, in order to support the commissioner's findings of the availability of small employer carrier health insurance plans in geographical areas, the small employer carrier survey results indicate that carriers are using anywhere from 1 geographic area up to 20 geographic areas for marketing small employer group health plan coverage. In addition to the statewide availability of coverage, there are a number of products being offered in the small employer group health market.

The results of the small employer health benefit carrier survey indicate that carriers offered 1 to 100,000 different plans and benefit options, including 22 carriers that offered high deductible plan options and 9 carriers who introduced a new plan, removed an existing plan, or changed an existing plan. Along with the data supporting adequate availability of small employer health benefit plans in Michigan, 10 carriers in Michigan indicated that sole proprietors are accepted as a small employer group even though BCBSM is the only carrier required to offer small employer coverage to sole proprietors. Small employers are offered a wide range of products, rates and pricing options. The diversity of choices indicates that there is competition in the small employer health benefit plan carrier market as there is no sign of product stagnation in the market.

**Factor (e): The overall rate level must not be excessive, inadequate, or unfairly discriminatory;**

Chapter 37 of the Insurance Code imposed strict standards for rate adjustments in the small employer health benefit market. All carriers were allowed to continue the practice of adjusting rates based on geographic location, with no carrier being allowed more than 10 geographic rating areas within the state. No geographic area could be smaller than an entire county. Also, the concepts of "rate bands" and "case characteristics" were introduced. Within a geographic area, a carrier could only vary the rate it charged for a given benefit plan by a certain percentage. Within

the band, rate variances could only be considered for specific case characteristics. The rate bands established under MCL 500.3705(2) for BCBSM and HMOs were +/- 35 percent of the average, or index rate. Commercial carriers were allowed more flexibility, and could vary their rate by +/- 45 percent of the established index rate for a given benefit plan.

In addition to prescribing limits on rate increase requests for the small employer health benefit market, the law also requires carriers to evidence compliance with the rating restrictions by filing with the Commissioner an actuarial certification each March 1<sup>st</sup> stating that the carrier is in compliance and the rating methods used by the carrier are actuarially sound. A tool that can be used to evaluate the adequacy of rates in a line of business is to look at the loss ratios. The loss ratio is the ratio of what an insurance company pays in benefits and associated expenses (such as adjustments) to what is collected in premiums, expressed as a percentage. It is calculated as follows:

Loss ratio = (Benefits paid out + Adjustment expenses) / Premiums collected. The average loss ratio in the Michigan small employer health benefit market is 73 percent, based on data from the FIS 0322.

As seen in Figure 3, the average premium increased each year from 2005 – 2007 then decreased slightly in 2008 and 2009, and then again increased in 2010 and 2011. The 2011 average premium increased by 8.7 percent which is slightly less than the national average as discussed on page 20 of the Annual Survey, which indicated the average premium growth rate to be 9 percent on a national basis. The rate of growth of average monthly premiums in Michigan has increased at a faster pace than that of the CPI for medical care in four of the eight years that the small employer group health market has been studied, 2011 is included in one of the four years that the rate of increase in average premiums exceeded the increase in the CPI for medical care.

**Figure 3: Small Employer Carrier Health Coverage**

**Cost of Medical Care Compared to Average Premium**

Year	*Medical Care CPI Increase	**Average Monthly Premium	Percent Change in Average Premium
2003	3.70%	\$248.47	-
2004	4.20%	\$205.11	-21.10%
2005	4.30%	\$243.42	15.70%
2006	3.60%	\$250.54	2.80%
2007	5.20%	\$287.45	12.80%
2008	3.20%	\$277.17	-3.70%
2009	3.20%	\$262.32	-5.36%
2010	3.40%	\$298.33	13.72%
2011	3.50%	\$326.92	8.7%

\*The Consumer Price Index (CPI) is based on information from the U.S. Department of Labor, Bureau of Labor Statistics, Table 1, Consumer Price Index for All Urban Consumers (CPI-U) U.S. city average, by expenditure category, November 2011 data, unadjusted percent change from November 2010 to November 2011.

\*\*Average Monthly Premium calculated by dividing the yearly aggregate premiums earned by the yearly aggregate member months, taken from totals on Appendix A.

**Factor (f): Other factors the Commissioner considers relevant.**

As elements of PPACA are nearing their effective dates, we asked small employer group health plans some questions relative to its provisions and the small employer group health market in Michigan. Some of the changes that are likely to impact the small employer group health market due to PPACA include: the introduction of health insurance exchanges in 2014 along with the creation of the Small Business Health Options Program (SHOP), an exchange exclusively for the use by small employers; the expansion of eligibility under the Medicaid program causing some low wage earners to seek coverage under Medicaid or through subsidized coverage through the exchange rather than through an employer; the option for states to integrate their individual and small employer group markets in 2014 as well as the requirement to define eligible employees more liberally than currently defined under the Michigan Insurance Code; beginning in 2016, the definition of small employer would be an employer with up to 100 employees; and tax benefits to employers who offer coverage and penalties for those who either choose not to offer coverage or offer plans that have a financial disadvantage to employees.

We asked the carriers, assuming Michigan has a health exchange marketplace, what percentage of small employers the carrier estimates will use the SHOP. Most carriers responded that it is unknown at this time if their small employer groups would use the SHOP exchange; three carriers indicated that 10 percent, 20 percent, and 50 percent of the carriers' insureds would purchase coverage from the SHOP exchange. All carriers indicated that none of their small employers had inquired about obtaining coverage through the SHOP exchange and only a few, between 2 percent and 15 percent of their insureds had inquired about small employer tax credits.

We asked carriers how many grandfathered health plans, as defined by PPACA, the company is renewing. Among the 31 carrier responses we received, it was reported that 2,459 plans that were renewed in 2011 were grandfathered plans, with a total of 76,366 lives covered under these plans. A grandfathered health plan is not subject to many of the requirements under PPACA, such as offering preventive services with no cost sharing requirements for the member, and limiting the out of pocket spending on essential benefits for plan members.

All of the changes in the PPACA will affect not only employees and employers, but carriers, policy makers and regulators. It will be interesting to see how these changes impact the state of competition in the small employer group health benefit market in Michigan.

The PPACA also requires health insurance issuers to submit data on Medical Loss Ratio (MLR) during the 2011 policy year and issue rebates to enrollees if the issuer is not spending at least 80% of premium dollars on medical care in the individual and small group markets, beginning in 2012. Medical loss ratio is the proportion of premium revenues spent on clinical services and quality improvements. Health insurance issuers are required to report data on the revenues spent on clinical services and quality improvement to the Department of Health and Human Services (HHS). Within the federal regulation, there exists a process for states to request an adjustment for up to 3 years but states must prove that requiring carriers in its individual market to meet the 80 percent MLR could destabilize the individual market and that it could result in fewer choices for consumers. In fact, Michigan did request a medical loss ratio standard adjustment to 65 percent for 2011, 70 percent for 2012, and 75 percent for 2013. The waiver Michigan submitted was rejected in 2011.

Also impacting the small employer group health benefit market in Michigan is the pricing practice referred to as the Most Favored Nation (MFN) clause. A MFN is a clause in a carrier's reimbursement contract under which hospitals must agree that no other plan can obtain a better reimbursement rate. Ultimately, the market share of that one insurer is protected which has the potential to damage competition and drive up consumer costs. In October of 2010, the Department of Justice and the State of Michigan filed an anti-trust lawsuit against Blue Cross Blue Shield of Michigan (BCBSM) in the U.S. District Court in Detroit. The suit claimed that BCBSM made such pricing agreements with 70 out of 131 of Michigan's hospitals.

Finally, how a health carrier reports its lines of business can affect the evaluation of the degree of competition in the small employer group health insurance market. In October of 2011, OFIR received feedback through a Crain's Detroit Business article on the 2010 State of Competition Small Employer report. The article contained an assertion that BCBSM information may have understated enrollment of its association and trust business, which could impact the evaluation of the competitiveness of the market. This requires a clarification of how this business is written and categorized in reports to OFIR. The Association/Trust category is intended to report what is actual association or trust coverage; that is, coverage where the insurer issues a group policy to and in the name of the association or trust as the policyholder. Therefore, this category does not apply to those situations where an association is merely a distribution channel by which an employer seeks coverage with a carrier and ultimately the carrier contracts directly with the employer. This is the manner in which BCBSM writes the overwhelming majority of this business.

## **Conclusions**

Consideration is given to each factor identified in Michigan Compiled Laws (MCL) 500.3721(3) for the purpose of determining whether a reasonable degree of competition exists in the small employer health benefit plan market.

In response to Factor (a) the Commissioner finds that while Blue Cross Blue Shield of Michigan is the dominant carrier in the small employer health benefit plan market, BCBSM's dominance has not prevented other carriers from entering, exiting, or changing relative positions in the market.

In response to Factor (b) the Commissioner finds that there are adequate numbers and types of carriers in the small employer health benefit plan market in Michigan.

In response to Factor (c) the Commissioner finds that the rate differentials seen in the small employer health benefit plan market are based on geographic location and plan design more than that of classifications.

In response to Factor (d) the Commissioner finds that small employer health benefit plans are available to all types of small businesses in all geographic areas in Michigan.

In response to Factor (e) the Commissioner finds that the overall rate levels were not excessive, inadequate, or unfairly discriminatory.

In response to Factor (f) the Commissioner recognizes the significance of the Patient Protection and Affordability Care Act and its likely impact on the small employer group health benefit market. It is likely that the landscape of competition within this market will change over the next several years. Also relevant is the new Medical Loss Ratio (MLR) rule for the small employer group market and the issue of the Most Favored Nation (MFN) clause and its impact on the market. The Office of Financial and Insurance Regulation is monitoring the federal court case and reviewing the issue of the use of MFNs and how these clauses will affect the small employer health benefit market. Also, OFIR is aware that the reporting of small and large employer group business may include business from various distribution channels such as associations and trusts but may not be reported as association and trust business because the coverage is actually issued to the employer.

## Certification

Based on these conclusions as supported by the data found in this report, the Commissioner finds there is a reasonable degree of competition in the small employer health benefit plan market on a statewide basis.



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R. Kevin Clinton  
Commissioner

10/31/13

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Date



**Appendix A**  
**Small Employer Health Insurance Data For 2011**  
**Source: Data submitted OFIR by carriers on Form FIS 0322**

2011 Small Employer Group Health Benefit Carriers	Policies In Force	Member Months	Member Lives	Premiums Earned	Claims Paid	Entity Type
AETNA HEALTH INC.	0	0	0	\$0	\$57	HMO
AETNA LIFE INSURANCE COMPANY	20	28713	523	\$9,677,226	\$7,318,176	INS
AETNA LIFE INSURANCE COMPANY	2	1630	19	\$491,368	\$381,815	INS
ALL SAVERS INSURANCE COMPANY	514	10482	1109	\$1,966,576	\$1,314,482	INS
ALLIANCE HEALTH AND LIFE INSURANCE COMPANY	7311	136037	9805	\$42,027,283	\$32,074,572	INS
AMERICAN REPUBLIC INSURANCE COMPANY	109	2268	189	\$968,030	\$955,295	INS
ASSURITY LIFE INSURANCE COMPANY	2152	57138	4698	\$16,337,445	\$11,786,276	INS
BLUE CARE NETWORK OF MICHIGAN	47447	1011437	92269	\$311,277,955	\$254,069,157	HMO
BLUE CROSS AND BLUE SHIELD OF MICHIGAN	120436	3052861	258422	\$1,214,634,257	\$942,493,909	HMDI
COMPANION LIFE INSURANCE COMPANY	1249	0	2934	\$6,655,594	\$5,413,184	INS
CONNECTICUT GENERAL LIFE INSURANCE COMPANY	4	285	19	\$236,883	\$16,164	INS
CONNECTICUT GENERAL LIFE INSURANCE COMPANY	1	75	1	\$12,214	\$16,932	INS
CONTINENTAL GENERAL INSURANCE COMPANY	0	0	0	0	-\$18	INS
EVERENCE INSURANCE COMPANY	7	252	18	\$60,646	\$106,864	INS
FEDERATED MUTUAL INSURANCE COMPANY	381	74753	6407	\$20,299,115	\$16,432,245	INS
FEDERATED MUTUAL INSURANCE COMPANY	78	13698	1416	\$4,041,251	\$3,153,655	INS
FIRST HEALTH LIFE & HEALTH INSURANCE COMPANY	0	0	0	\$429	\$0	INS
GRAND VALLEY HEALTH PLAN	620	15104	1409	\$4,799,469	\$5,418,885	HMO
GUARDIAN LIFE INSURANCE COMPANY OF AMERICA, THE	0	250	0	\$164,282	\$34,867	INS
HEALTH ALLIANCE PLAN OF MICHIGAN	7398	159474	17054	\$58,837,968	\$48,992,595	HMO
HEALTHPLUS INSURANCE COMPANY	1401	35685	3142	\$12,417,444	\$13,088,875	INS
HEALTHPLUS OF MICHIGAN, INC	1144	29719	2193	\$11,955,812	\$9,554,504	HMO
HUMANA INSURANCE COMPANY	777	183653	13836	\$47,875,283	\$34,999,270	INS
JOHN ALDEN LIFE INSURANCE COMPANY	2835	64432	5202	\$17,511,542	\$11,593,756	INS
JOHN ALDEN LIFE INSURANCE COMPANY	524	13234	1092	\$1,747,983	\$2,283,358	INS
LIBERTY UNION LIFE ASSURANCE COMPANY	3223	86207	6702	\$15,837,039	\$13,206,066	INS
MADISON NATIONAL LIFE INSURANCE COMPANY, INC.	268	38892	3241	\$19,116,906	\$14,629,592	INS
MCLAREN HEALTH PLAN, INC.	4491	93786	8423	\$30,537,873	\$25,081,032	HMO
MIDWEST SECURITY LIFE INSURANCE COMPANY	0	517	0	\$125,683	-\$391,490	INS
MIDWEST SECURITY LIFE INSURANCE COMPANY	0	119	0	\$23,248	-\$6,092	INS
NIPPON LIFE INSURANCE COMPANY OF AMERICAN	794	16928	1585	\$4,315,090	\$2,781,146	INS
NIPPON LIFE INSURANCE COMPANY OF AMERICA	45	1449	130	\$228,217	\$181,157	INS
PARAMOUNT CARE OF MICHIGAN, INC.	641	14787	1189	\$5,130,405	\$5,853,874	HMO
PARAMOUNT INSURANCE COMPANY	660	15533	1301	\$4,550,898	\$4,597,278	INS

PARAMOUNT INSURANCE COMPANY	236	5230	429	\$1,573,382	\$853,869	INS
PHP INSURANCE COMPANY	43	9974	1021	\$3,613,995	\$2,533,546	INS
PHYSICIANS HEALTH PLAN	260	42319	3643	\$16,678,005	\$13,618,708	HMO
PRINCIPAL LIFE INSURANCE COMPANY	198	28892	412	\$8,314,248	\$4,885,046	INS
PRINCIPAL LIFE INSURANCE COMPANY	24	2215	55	\$510,999	\$278,379	INS
PRIORITY HEALTH	34610	1115042	81376	\$325,914,089	\$292,833,037	HMO
PRIORITY HEALTH	21858	589811	51392	\$128,115,466	\$117,097,275	HMO
PRIORITY HEALTH INSURANCE COMPANY	8899	284367	20805	\$98,192,579	\$91,418,474	INS
PRIORITY HEALTH INSURANCE COMPANY	6628	190758	15496	\$49,715,846	\$46,592,075	INS
STANDARD SECURITY LIFE INSURANCE COMPANY OF NEW YORK	230	504	520	\$1,010,287	\$944,643	INS
TIME INSURANCE COMPANY	292	7893	592	\$10,280,799	\$7,309,554	INS
TIME INSURANCE COMPANY	397	9210	688	\$3,483,451	\$2,570,652	INS
TOTAL HEALTH CARE USA, INC.	2994	64185	5741	\$20,178,148	\$15,561,250	HMO
TRUSTMARK LIFE INSURANCE COMPANY	59	10188	898	\$3,088,534	\$3,311,346	INS
TRUSTMARK LIFE INSURANCE COMPANY	51	9507	904	\$3,532,844	\$2,011,188	INS
TRUSTMARK LIFE INSURANCE COMPANY	1	152	10	\$64,848	\$21,551	INS
UNION SECURITY INSURANCE COMPANY	31	902	64	\$150,952	\$656,404	INS
UNION SECURITY INSURANCE COMPANY	94	2773	161	\$989,171	\$453,790	INS
UnitedHealthcare INSURANCE COMPANY	2953	438624	36552	\$83,081,900	\$56,730,360	INS
UnitedHealthcare INSURANCE COMPANY	444	65928	5494	\$12,487,742	\$8,526,937	INS
US HEALTH AND LIFE INSURANCE COMPANY	133	37842	3464	\$9,404,077	\$6,935,049	INS
US HEALTH AND LIFE INSURANCE COMPANY	93	34660	3765	\$7,358,554	\$3,700,921	INS
WILTON REASSURANCE LIFE COMPANY OF NEW YORK	1	12	1	\$89	\$0	INS
WORLD INSURANCE COMPANY	30	676	44	\$309,260	\$265,411	INS
TOTAL	285091	8111062	677855	\$2,651,910,679	\$2,146,540,903	